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Regulatory Updates

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April 01, 2025: Master circular - Exposure norms and statutory/ other restrictions – UCBs

Tags

UCBs, Exposure Norms, Credit Risk Management, Statutory Restrictions, Capital Adequacy.

Summary

This Reserve Bank of India (RBI) master circular applies to Primary (urban) Cooperative Banks (UCBs). It consolidates existing instructions and guidelines on exposure norms and statutory/regulatory restrictions on loans and advances issued up to March 31, 2025.

The circular impacts UCBs by updating their existing compliance requirements related to lending, investment, and capital adequacy ratios.

Insights

1. All Primary (Urban) Co-operative Banks (UCBs) must comply with the revised Master Circular on Exposure Norms and Statutory/Other Restrictions, updated to include instructions issued up to March 31, 2025.
2. UCBs must adhere to exposure ceilings for individual and group borrowers, not exceeding 15% and 25% of Tier-I capital, respectively; this applies to exposures taken after March 13, 2020.
3. By March 31, 2026, UCBs must ensure that at least 50% of their aggregate loans and advances comprise small value loans (≤₹25 lakh or 0.4% of Tier-I capital, whichever is higher, capped at ₹ three crore per borrower).
4. UCBs must establish Board-approved prudential norms for real estate loan ceilings, adhering to limits on residential mortgages (≤25% of total loans and advances) and other real estate exposures (≤5% of total loans and advances).
5. Unsecured advances (with or without surety) of UCBs are subject to limits based on Deposit Taking Liabilities (DTL) and Capital to Risk-weighted Assets Ratio (CRAR), as detailed in paragraph 4.1; the aggregate ceiling remains 10% of total assets (unless specific conditions for higher limits outlined in 4.2.2 and 4.2.3 are met).

Further details can be found on
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12828&Mode=0

April 01, 2025: Master circular - Management of advances – UCBs

Tags

Urban Cooperative Bank (UCB), credit management, loan policy, working capital, credit risk, restructuring, gold loans, SHGs, JLGs, NPA monitoring, interest rates, valuation, reporting standards, relief measures, Basel norms, consortium lending, priority sector lending.

Summary

This Reserve Bank of India (RBI) master circular consolidates existing guidelines on advance management for Primary (Urban) Cooperative Banks (UCBs), incorporating all instructions issued up to March 31, 2025.

It covers various operational areas such as working capital assessment, loan system, credit administration, restructuring of advances, monitoring, reporting norms, exposure limits, sector-specific lending practices (e.g., real estate, IT, gold loans), and relief measures during natural calamities.

Insights

1. UCBs must review their board-approved loan policies annually to ensure alignment with current RBI regulations and internal risk appetite.
2. For borrowers needing fund-based working capital limits up to ₹ one crore (non-MSMEs) or ₹5 crore (MSMEs), UCBs can assess working capital needs based on 25% of projected annual turnover, with the borrower contributing 5% as Net Working Capital (NWC).
3. UCBs must implement a detailed, board-approved policy for ad-hoc credit limit releases, adhering to DoS.CO.PPG.BC.1/11.01.005/2020-21 guidelines, and incorporate this review process into their core banking systems for audit scrutiny.
4. UCBs must adhere to the Master Direction on Treatment of Wilful Defaulters and Large Defaulters (dated July 30, 2024) and the Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025, as amended from time to time.
5. Penal charges must be transparent, fair, and disclosed to borrowers without being a disguised revenue source.
6. UCBs must maintain robust credit appraisal and post-disbursement monitoring frameworks, including annual reviews of all advances.
7. Relief and rehabilitation lending guidelines are provided for areas affected by natural disasters, ensuring prompt and coordinated responses.
8. Credit reporting obligations, consortium lending norms, and SARFAESI-related filings are critical for information transparency and fraud prevention.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12827&Mode=0

April 01, 2025: Master circular - Housing finance for UCBs

Tags

UCBs, Housing Finance, Priority Sector Lending, Loan Limits, Regulatory Compliance.

Summary

This Reserve Bank of India (RBI) master circular updates guidelines on housing finance for Urban Co-operative Banks (UCBs), consolidating all instructions issued up to March 31, 2025.

The circular revises loan amount ceilings for different UCB tiers and clarifies terms and conditions regarding interest rates, foreclosure charges, and penal charges, referencing several other circulars for detailed requirements.

Insights

1. This circular supersedes previous circulars listed in Annex 3.
2. Housing loans to individuals are capped at ₹60 lakh (Tier 1), ₹1.40 crore (Tier 2), ₹2 crore (Tier 3), and ₹3 crore (Tier 4), subject to single borrower exposure limits. UCB tiers are defined in DOR.REG.No.84/07.01.000/2022-23.
3. UCBs cannot charge foreclosure charges or prepayment penalties on floating-interest rate home loans, as per the decision effective June 26, 2012. They must establish a policy for resetting floating interest rates, complying with DOR.MCS.REC.32/01.01.003/2023-24.
4. If levied, penalty charges for loan non-compliance must follow DOR.MCS.REC.28/01.01.001/2023-24 guidelines. These charges should not be in the form of 'penal interest'.
5. UCBs must comply with DOR.STR.REC.13/13.03.00/2024-25 on Key Facts Statement (KFS) for Loans & Advances and DOR.MCS.REC.38/01.01.001/2023-24 regarding the release of property documents upon loan repayment. These guidelines are amended from time to time.
6. UCBs are told that they can secure their housing loan exposures through a mortgage on property, a government guarantee, or a combination of both.
7. The subjects can also extend loans to housing boards that are looking to build houses for the economically weaker (EWS), low-income (LIG), or high-income (HIG) sections.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12826&Mode=0

April 01, 2025: Master direction - Reserve Bank of India (Interest rate on deposits) directions, 2025

Tags

Interest Rates, Deposit Policy, Term Deposits, Senior Citizens, FCNR, NRE/NRO, Premature Withdrawal, Co-Operative Banks, Deposit Transparency.

Summary

The Reserve Bank of India (RBI) issued a comprehensive Master Direction on Interest Rate on Deposits in 2025, consolidating existing guidelines. This master direction, effective immediately, applies to all banks operating in India, outlining a framework for interest rate policies on various deposit accounts (domestic, NRE, NRO, FCNR(B)) and specifying requirements for interest calculation, payment, and penalties for premature withdrawals.

The new direction supersedes the 2016 Master Directions on interest rates for banks and cooperative banks.

Insights

1. All banks operating in India must immediately comply with the Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025, effective April 1, 2025.
2. Banks must maintain a Board-approved, uniform, and non-discriminatory interest rate policy.
3. No interest on current accounts unless held by deceased customers; savings accounts accrue interest daily.
4. Term deposits must have a minimum tenor (7 days domestic, 1-year NRE), with optional premature withdrawal.
5. Senior citizens and retired staff may receive higher interest under defined conditions.
6. Floating rate deposits must link to observable external benchmarks (ARR or swap rates).
7. Penalty structures for early withdrawals must be disclosed upfront and approved by the Board.

8. NRE/FCNR deposits of returning Indians must be converted with specific interest handling rules.
9. Banks are prohibited from offering lottery or misleading yield-based promotions for deposits.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12825&Mode=0

April 01, 2025: Master circular – Housing finance

Tags

Housing finance, affordable housing, real estate lending, LTV ratio, interest rate reset, fair lending, builder finance, priority sector, property valuation, EMI-based loans, disclosure requirements, mortgage norms, slum redevelopment.

Summary

This Reserve Bank of India (RBI) Master Circular consolidates existing guidelines on housing finance for scheduled commercial banks (excluding RRBs), updating instructions issued through March 31, 2025. The circular introduces no new regulations but compiles previous directives on various aspects of housing finance, including loan amounts, interest rates, and lending practices.

Insights

1. **Comprehensive coverage**—This circular consolidates all RBI instructions on housing finance up to March 31, 2025. It does not introduce new regulations.
2. **Permissible housing loans** – Banks can finance purchase, construction, repair, and even rental-purpose houses. Loans for second homes are also allowed under specific conditions.
3. **Unauthorised construction is barred**. Loans cannot be granted for properties in unauthorized colonies or residential properties proposed for commercial use unless they are regularized.
4. **Disbursal tied to construction stages** – Upfront disbursal of home loans is discouraged unless in government-sponsored projects. Staged disbursal linked to construction milestones is mandatory.

5. **Loan-To-Value (LTV) & risk weights** – Detailed LTV norms and associated risk weights are specified, and banks must exclude stamp duty and registration from housing cost (except for units ≤ ₹10 lakh).
6. **Prohibited uses** – No funding is allowed for land acquisition by private builders, government office construction, or projects not run on commercial lines.
7. **Valuation policy** – Banks must have Board-approved valuation policies and rely on independent professionals for land/property valuation.
8. **Builder and developer oversight** – Builders must disclose mortgage details in all public documents. Loans should only be granted after verifying approved plans and completion certificates.
9. **Priority sector and affordable housing** – Housing loans qualify under priority sector lending, and banks can issue 7+ year bonds to fund affordable housing projects.
10. **Fair lending mandates**—Banks must follow guidelines regarding releasing property documents after loan repayment, penal interest charges, and resetting floating interest rates.
11. **Guidelines for intermediary lending**—Banks may lend to housing intermediaries (e.g., housing finance institutions and boards), subject to NPA performance and RBI authorization (especially for NRIs).
12. **Safety compliance**—Banks must align housing finance policies with the National Building Code and NDMA guidelines to ensure disaster resilience.
13. **CRE exposure norms** – Housing finance must comply with the RBI's CRE (Commercial Real Estate) exposure guidelines, especially for intermediary and large-scale projects.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12824&Mode=0

April 01, 2025: Master Circular - Bank financing to Non-Banking Financial Companies (NBFCs)

Tags

NBFCs, bank finance, Non-Banking Financial Companies (NBFCs), exposure limits, factoring, gold loan NBFCs, unsecured loans, IPO funding, prudential norms, regulatory compliance, inter-corporate deposits, risk weights, investment restrictions.

Summary

The Reserve Bank of India's 2025 Master Circular consolidates all regulatory instructions governing bank finance to NBFCs. It permits banks to extend credit to RBI-registered NBFCs engaged in asset financing, infrastructure lending, and factoring, while placing specific restrictions on certain activities such as IPO financing, inter-corporate loans, and speculative investments.

Exposure ceilings are clearly defined, including differentiated limits for gold-loan NBFCs. Factoring companies must meet specific income and asset thresholds to be eligible for credit. The circular also outlines prohibitions on bridge loans, share-backed lending, and certain guarantee practices, reinforcing prudential lending discipline.

Insights

1. **Registration requirement—**Under the circular, only RBI-registered NBFCs (including HFCs under the NHB Act) are eligible for bank finance; exemptions apply to select NBFC categories.
2. **No ceiling on bank credit—**The previous ceiling linked to net-owned funds has been withdrawn for registered NBFCs in asset finance, infrastructure, factoring, or investment.
3. **Ineligible activities** – Bank finance cannot be extended for IPO financing, inter-corporate deposits, unsecured loans to group companies, or speculative investment by NBFCs.
4. **Second-hand assets** – Banks are permitted to finance NBFCs even against second-hand assets funded by them, based on internal policies.
5. **Factoring eligibility** – Factoring companies (NBFC-Factors) must derive ≥50% of their income and assets from factoring to be eligible for bank credit.
6. **Bridge loans prohibited** – Banks cannot extend interim finance or bridge loans pending capital/debt raising by NBFCs, regardless of the loan label.
7. **No collateral of shares** – NBFCs cannot secure bank loans using shares or debentures as collateral.
8. **Exposure caps** –
    a) 20% of Tier I capital for a single NBFC (excluding gold loan NBFCs).
    b) 25% for a group of connected NBFCs.
    c) 7.5% for gold-loan NBFCs, extendable to 12.5% if for infra on-lending.
9. **Internal exposure controls** – Banks must define internal sub-limits for aggregate NBFC exposure, specifically for gold-loan focused NBFCs.
10. **Risk weight norms** – Bank credit to NBFCs is subject to capital charge and risk weights as per Basel III Capital Regulations.
11. **Prohibition on bank guarantees for fund placements** – Banks cannot issue guarantees for third parties to place funds with NBFCs, ensuring no indirect credit circumvention.
12. **No departmental leasing with NBFCs—**Banks are barred from entering into direct lease agreements with NBFCs involved in equipment leasing.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12823&Mode=0

April 01, 2025: Master circular - Prudential norms on income recognition, asset classification, and provisioning of advances

Tags

Income Recognition, Asset Classification, Provisioning, Advances, Commercial Banks.

Summary

This Reserve Bank of India (RBI) master circular updates prudential norms for income recognition, asset classification, and provisioning of bank advances, consolidating all instructions issued up to March 31, 2025. It is important to note that new guidelines have been introduced. The circular compiles existing regulations impacting all commercial banks (excluding Regional Rural Banks).

The updated circular clarifies and streamlines existing procedures for various scenarios, including project financing, restructuring, and fraud detection.

Insights

1. All commercial banks (excluding RRBs) must adhere to the revised Master Circular on Prudential norms on Income Recognition, Asset Classification, and Provisioning about Advances, incorporating all instructions issued up to March 31, 2025.
2. Banks must implement appropriate internal systems, including technology-enabled processes, for the timely identification of NPAs, aligning with circular DoS.CO.PPG/SEC.03/11.01.005/2020-21 (as updated) on automation of IRAC processes.
3. Banks should ensure that accounts with temporary deficiencies do not classify an advance as NPA unless irregular drawings are permitted for 90 continuous days or regular/ad hoc credit limits are not reviewed/renewed within 180 days.
4. The circular details specific income recognition norms for loans with moratorium, projects under implementation (with DCCO deferment), and loans against gold ornaments, which must be followed accordingly. Cross-references to relevant past circulars are provided.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12822&Mode=0

April 01, 2025: Master circular - Income recognition, asset classification, provisioning, and other related matters – UCBs

Tags

UCBs, Income Recognition, Asset Classification, Provisioning Norms, NPA

Summary

This RBI Master Circular for Primary (Urban) Co-operative Banks (UCBs) consolidates existing guidelines on income recognition, asset classification, and provisioning for advances, updating them to reflect instructions issued up to March 31, 2025.

It is important to note that no new instructions or norms have been introduced. The circular impacts all UCBs, requiring them to adhere to the revised consolidated guidelines on managing their advance portfolio.

Insights

1. All Primary (urban) Cooperative Banks (UCBs) must adhere to the revised Master Circular, which summarizes guidelines on income recognition, asset classification, and provisioning issued up to March 31, 2025. This circular replaces DOR.STR.REC. 9/21.04.048/2024-25, dated April 02, 2024.
2. UCBs must implement system-based asset classification according to their asset size as of March 31, 2020, with deadlines ranging from June 30, 2021, to six months after the end of the relevant financial year for those meeting specified criteria.
3. Interest must be charged at monthly rates for all loans except agricultural advances, effective from the year ended March 31, 2004. Agricultural advance interest is linked to crop seasons.
4. UCBs with total assets of ₹500 crore and above must report credit information, including Special Mention Account (SMA) classifications, to CRILC quarterly for borrowers with aggregate exposures of ₹5 crore and above.

5. Provisioning norms for fraud accounts must follow the Master Directions on Fraud Risk Management in UCBs dated July 15, 2024. Provisioning must be completed within four quarters of fraud detection or immediately if reporting is delayed.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12821&Mode=0

April 01, 2025: Master circular - Guarantees and co-acceptances

Tags

Bank guarantees, co-acceptances, scheduled commercial banks, Prudent norms, and fraud prevention.

Summary

This Reserve Bank of India (RBI) Master Circular consolidates existing instructions on banks' guarantee and co-acceptance business, updating them to reflect all directives issued up to March 31, 2025. No new guidelines have been introduced, and the circular only compiles previous instructions for scheduled commercial banks (excluding Payment Banks and RRBs).

The update impacts these banks' operations and compliance procedures regarding guarantees and co-acceptances.

Insights

1. The banks above must update their compliance with the revised Master Circular on Guarantees and Co-acceptances, incorporating all instructions issued up to March 31, 2025.
2. Banks must review and update their internal policies and procedures on guaranteed issuance to align with the consolidated guidelines, particularly concerning maturity limits (generally 10 years, with exceptions for long-term projects), unsecured guarantees, and fraud prevention measures.
3. All exemptions previously allowed for the computation of unsecured advances are withdrawn; banks must adhere to the revised definitions and calculations per the circular.
4. Banks must ensure prompt payment of invoked guarantees, avoid delays, and establish clear accountability for timely payments, potentially facing disciplinary action for non-compliance.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12820&Mode=0

April 01, 2025: Master circular - Guarantees, co-acceptances and letters of credit – UCBs

Tags

UCBs, guarantees, letters of credit, co-acceptances, compliance

Summary

This RBI Master Circular, effective April 1, 2025, updates the guidelines for guarantees, co-acceptances, and letters of credit for Primary (Urban) Co-operative Banks (UCBs).

It consolidates existing instructions issued until March 31, 2025, introducing no new regulations or requirements—the circular impacts UCBs, requiring them to adhere to the compiled directives on these non-fund-based limits.

Insights

1. Primary (Urban) Co-operative Banks (UCBs) must ensure that total outstanding guarantee obligations do not exceed 10% of their owned resources at any time, with unsecured guarantees limited to 25% of owned funds or 25% of total guarantees, whichever is less.
2. UCBs are prohibited from issuing guarantees for import duties on essential commodities without a cash margin equivalent to at least half the amount payable under the guarantee. The definition of "essential commodities" is subject to the RBI specification.
3. UCBs must promptly honor bank guarantees upon invocation, as failure to do so may result in legal repercussions and damage to the bank's reputation. Exceptions are limited to cases of fraud or irretrievable injustice.
4. When issuing guarantees, UCBs must follow prescribed safeguards, including using serially numbered security forms, requiring two signatures for guarantees above a certain limit, and thoroughly scrutinizing customer financial positions.
5. UCBs must adhere to credit exposure norms and statutory restrictions on non-fund-based limits (LCs, guarantees, co-acceptances) as detailed in the Master Circular on 'Exposure Norms and Statutory/Other Restrictions' and other RBI-issued norms. This includes ceilings on total credit exposure, unsecured guarantees, and advances to specific entities.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12819&Mode=0

April 01, 2025: Master direction – Facility for exchange of notes and coins

Tags

Note Exchange, Coin Exchange, Bank Branches, Mutilated Notes, RBI Regulations

Summary

This RBI Master Direction consolidates guidelines on bank facilities for exchanging notes and coins, impacting all banks and, optionally, Small Finance Banks and Payment Banks.

Key updates include clarifying procedures for exchanging soiled, mutilated, and imperfect notes, specifying limits for over-the-counter exchanges, and establishing a grievance redressal mechanism. Penalties for non-compliance are emphasized.

Insights

1. As mandated by this Master Direction, all bank branches must provide exchange services for notes and coins of all denominations, including soiled, mutilated, and imperfect notes, to all members of the public without discrimination.
2. Small Finance Banks (SFBs) and Payment Banks (PBs) have the option to exchange mutilated and imperfect notes. However, this is optional for SFBs for up to two years from the commencement of their banking business.
3. Banks must adopt a system of handling coins in sachets of 100 pieces or small value-based sachets to improve efficiency and customer experience.
4. For soiled notes, banks must exchange up to 20 pieces or ₹5000 per day over the counter; exceeding this requires accepting them against a receipt for credit within 7 days. For mutilated/imperfect notes, the limits are 10 pieces or ₹5000 per day, with credit within 30 days if adjudication needs to be done by the linked currency chest branch.
5. All bank branches must display a notice board stating "soiled/mutilated notes and coins are accepted and exchanged here" and must adhere to grievance redressal procedures outlined in the document, including escalating unresolved complaints to the RBI Ombudsman within 30 days of lodging the initial complaint.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12818&Mode=0

April 01, 2025: Reserve Bank of India (Classification, valuation, and operation of the investment portfolio of commercial banks) directions, 2023

Tags

Commercial Banks, Investment Portfolio, Valuation, Asset Classification, HTM, AFS, FVTPL.

Summary

This RBI circular provides information regarding the classification, valuation, and operation of commercial banks' investment portfolios through FAQs.

Key changes address investment classification (particularly bonds with put options and converted debt), fair value determination at initial recognition, and transition adjustments for carrying values. These clarifications affect all commercial banks (excluding regional rural banks).

Insights

1. Bonds with put options can be classified as HTM only if they meet the SPPI criteria and were acquired with the intention of holding to maturity
    a. Exercising the put option before maturity may be treated as a sale unless due to credit rating downgrade or default.
2. At initial recognition, investments' fair value should be determined unless it is materially different from acquisition cost; the latter is presumed to be fair value.
3. Amortization of discounts/premiums on securities, including those with call/put options, is to be done over the residual contractual maturity
    a. For perpetual debt, it's up to the earliest call date.
4. Clause 36(a)(v) is partially modified. Equity shares/debentures received from loan conversions must be classified under HTM, AFS, or FVTPL at initial recognition, not upon upgrade.
    a. Segregation of Non-Performing Investments (NPIs) means within the same initial classification category (HTM, AFS, or FVTPL).

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12817&Mode=0

April 01, 2025: Master circular - Prudential norms on capital adequacy - Primary (Urban) Co-operative Banks (UCBs)

Tags

Capital adequacy, CRAR, primary urban cooperative banks (UCBs), prudential norms, Tier 1 capital, Tier 2 capital.

Summary

This RBI Master Circular updates prudential norms on capital adequacy for Primary (Urban) Co-operative Banks (UCBs). Key changes include revised minimum net worth requirements and CRAR (Capital to Risk Weighted Assets Ratio) targets, phased implementation timelines for achieving these targets, and detailed guidelines on issuing preference shares and debt capital instruments. All UCBs are impacted, with varying compliance timelines depending on their tier.

Insights

1. All primary (Urban) Co-operative Banks (UCBs) must comply with updated prudential norms on capital adequacy, as detailed in the Master Circular DOR.CAP.REC. 03/09.18.201/2025-26, superseding DOR.CAP.REC.5/09.18.201/2024-25 dated April 01, 2024.
2. UCBs must achieve minimum net worth requirements by specified deadlines: ₹2 crore for Tier 1 UCBs operating in a single district and ₹5 crore for all others; 50% by March 31, 2026, and 100% by March 31, 2028.
3. Tier 1 UCBs maintain a minimum CRAR of 9%, while Tier 2-4 UCBs must maintain 12% CRAR; Tier 2-4 UCBs have phased implementation deadlines: 10% by March 31, 2024, 11% by March 31, 2025, and 12% by March 31, 2026.
4. UCBs must adhere to share-linking to borrowing norms, with exceptions for those meeting minimum regulatory CRAR and a Tier 1 CRAR of 5.5%, who can implement a Board-approved policy.
5. Share capital refunds are permitted for UCBs meeting the minimum regulatory CRAR, provided the refund doesn't breach the minimum CRAR; accretion to and reduction in capital funds after the balance sheet date must be considered in CRAR calculations.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12816&Mode=0

April 01, 2025: Master circular - Prudential norms on capital adequacy - Primary (Urban) Co-operative Banks (UCBs)

Tags

Capital adequacy, CRAR, primary urban cooperative banks (UCBs), prudential norms.

Summary

This RBI Master Circular updates prudential norms on capital adequacy for Primary (Urban) Co-operative Banks (UCBs). Key changes from earlier master circular include revised minimum net worth requirements and CRAR (Capital to Risk Weighted Assets Ratio) targets, phased implementation timelines for achieving these targets, and detailed guidelines on issuing preference shares and debt capital instruments. All UCBs are impacted, with varying compliance timelines depending on their tier.

Insights

1. All Primary (urban) Cooperative Banks (UCBs) must comply with updated prudential norms on capital adequacy, as detailed in the Master Circular DOR.CAP.REC. 03/09.18.201/2025-26, superseding DOR.CAP.REC.5/09.18.201/2024-25, dated April 01, 2024.
2. UCBs must achieve minimum net worth requirements by specified deadlines: ₹2 crore for Tier 1 UCBs operating in a single district and ₹5 crore for all others; 50% by March 31, 2026, and 100% by March 31, 2028.
3. Tier 1 UCBs maintain a minimum CRAR of 9%, while Tier 2-4 UCBs must maintain 12% CRAR; Tier 2-4 UCBs have phased implementation deadlines: 10% by March 31, 2024, 11% by March 31, 2025, and 12% by March 31, 2026.
4. UCBs must adhere to share-linking to borrowing norms, with exceptions for those meeting minimum regulatory CRAR and a Tier 1 CRAR of 5.5%, who can implement a Board-approved policy.
5. Share capital refunds are permitted for UCBs meeting the minimum regulatory CRAR, provided the refund doesn't breach the minimum CRAR; accretion to and reduction in capital funds after the balance sheet date must be considered in CRAR calculations.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12816&Mode=0

April 01, 2025: Master circular – Basel III capital regulations

Tags

Basel III, Capital Adequacy, Risk Weights, Scheduled Commercial Banks

Summary

This RBI Master Circular updates the Basel III capital regulations for scheduled commercial banks (excluding SFBs, PBs, and RRBs), consolidating previous guidelines. Key changes include revised risk weights for various asset classes, updated credit risk mitigation techniques, and modified requirements for loss absorbency of capital instruments. The circular impacts all applicable scheduled commercial banks in their capital adequacy calculations and disclosures.

Insights

1. Scheduled Commercial Banks (excluding SFBs, PBs, and RRBs) must update their compliance with Basel III Capital Regulations based on the Master Circular DOR.CAP.REC. 2/21.06.201/2025-26 dated April 01, 2025, incorporating guidelines issued up to that date. This supersedes Master Circular DOR.CAP.REC. 4/21.06.201/2024-25 dated April 01, 2024.
2. Regulated entities must adhere to the minimum Pillar 1 Capital to Risk-weighted Assets Ratio (CRAR) of 9%, with specific minimums for Common Equity Tier 1 (CET1) capital (5.5%), Tier 1 capital (7%), and total capital (9%). These minimums are subject to the Capital Conservation Buffer (CCB) of 2.5% of RWAs (fully phased in from October 1, 2021).
3. Banks must comply with capital adequacy requirements at both the consolidated and standalone levels, consolidating all banking and financial subsidiaries (excluding insurance and non-financial entities) for consolidated capital adequacy calculations. The Wholly Owned Subsidiary (WOS) model for foreign banks requires continuous compliance with Basel III, maintaining a minimum CRAR of 10% for the initial three years.
4. All investments in the capital instruments issued by banking, financial, and insurance entities are subject to limits (10% of capital funds) and specific treatment. Reciprocal crossholdings are fully deducted, while investments exceeding 10% of common equity (after adjustments) are subject to deduction or risk weighting (250%), depending on whether they are common shares or other instruments.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12815&Mode=0

April 01, 2025: Master direction on counterfeit notes, 2025 – Detection, reporting, and monitoring

Tags

Counterfeit Notes, Banking Regulation Act 1949, Penal Provisions, Reporting

Summary

This RBI Master Direction on Counterfeit Notes, 2025, updates bank guidelines for detecting, reporting, and monitoring counterfeit currency. Key changes include standardized procedures for impounding and reporting counterfeit notes to authorities, penalties for non-compliance, and requirements for enhanced detection mechanisms (e.g., machine processing). All banks are impacted, requiring updated policies and reporting to the RBI, police, NCRB, and FIU-IND.

Insights

1. All banks must impound counterfeit notes and stamp them with the prescribed 'COUNTERFEIT BANKNOTE' stamp (Annex I), maintaining a separate register for each impounded note.
2. Banks are prohibited from returning counterfeit notes to tenderers or destroying them; failure to impound detected counterfeit notes will result in penalties.
3. For counterfeit note detection, banks must use authentication machines for notes tendered over the counter and in bulk tenders; no credit should be given for counterfeit notes.
4. Banks must report detection of up to four counterfeit notes per transaction in a consolidated monthly report (Annex III) to police; five or more requires immediate FIR filing (Annex IV).
5. All bank branches with daily cash receipts must machine-process banknotes of ₹100 and above for authenticity before recirculation; this also applies to ATMs and remittances to RBI issue offices, referencing circular DPSS.CO.OD.No.1916/06.07.011/2018-19 dated March 7, 2019.
6. Banks must equip branches and currency chests with UV lamps and note authentication/sorting machines conforming to RBI guidelines and Indian Standards (BIS),

as per circular DCM(NPD) No. S2193/09.45.000/2024-25 dated October 30, 2024, maintaining daily records of processed notes and detected counterfeits.

7. Each bank must establish a Forged Note Vigilance (FNV) Cell at its head office to monitor counterfeit note detection. The cell must report to RBI (Annex VII), FIU-IND, and NCRB and submit a half-yearly report (Annex V) by email to dcmfnvd@rbi.org.in by the end of March and September.
8. Banks must designate district-wise nodal bank officers for counterfeit note activities and inform the RBI and police authorities; all reporting must be done through these designated officers.
9. Penalties for counterfeit notes vary by denomination and context (e.g., soiled notes, CC balances, ATMs), ranging from recovery of the notional value to a ₹10,000 penalty per instance of willful non-impounding; details are provided in Annex VIII.
10. Counterfeit notes received from the police must be preserved for three years after the case is concluded and then sent to the RBI issue office. Those related to ongoing litigation must be maintained for three years after the case is concluded.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12814&Mode=0

April 01, 2025: Master circular on Board of Directors - UCBs

Tags

UCB Board of Directors, Madhava Das Committee Recommendations, Board composition

Summary

This RBI Master Circular updates guidelines for the Board of Directors in Primary (Urban) Co-operative Banks (UCBs), consolidating previous instructions. Key changes include stipulations for at least two professional directors (except for Salary Earners' Banks) and a prohibition on creating honorary board positions—the updated circular impacts all UCBs, outlining roles, responsibilities, and reporting requirements for their Boards.

Insights

1. UCBs must ensure that at least two professional directors with banking experience or relevant professional qualifications (such as law, accountancy, or finance) are on their boards, except for Salary Earners' Banks.

2. UCBs (excluding those with deposits under ₹100 crore and Salary Earners' Banks) must establish a Board of Management (BoM) by amending their bylaws, as per RBI circular DoR(PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019.
3. UCBs are prohibited from creating any honorary positions/titles at the Board level that are not recognized in applicable statutes or regulations; existing positions must be eliminated.
4. All RBI circulars and policy-related materials must be presented to the UCB Board for information and necessary action.
5. UCBs must comply with the guidelines on donations to trusts and institutions where directors or their relatives hold positions or are interested, effective August 30, 2013; no donations are permitted, regardless of the permissible ceiling.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12813&Mode=0

April 01, 2025: Master circular on conduct of government business by agency banks - Payment of agency commission

Tag
Agency Banks, Government Business, Agency Commission, Government Transactions

Summary
This RBI Master Circular revises and updates guidelines for agency banks conducting government business, specifically regarding agency commission payments. Key changes include revised commission rates, updated eligibility criteria for various government transactions (including GST, direct and indirect taxes), and modified reporting requirements for transaction data via QPX/e-Kuber. All agency banks are impacted by these changes to their commission claims processes.

Insights
1. Agency banks must submit agency commission claims within 60 calendar days of the quarter's end, providing reasons for delays if exceeding this timeframe.
2. Effective January 1, 2018, all agency banks must settle agency transactions directly with RBI's Regional Offices, eliminating aggregators. This also applies to State government payments.

3. Claims for agency commission must be submitted in the prescribed format (Annex 2), including GST details, to the appropriate RBI office (CAS Nagpur for Central, Mumbai RO for specified GST/Direct Tax transactions, and respective ROs for State transactions).
4. Agency banks must ensure accurate claims, as erroneous claims certified by internal/concurrent auditors will incur penal interest at Bank Rate + 2%. Internal and external audits are required to verify claim accuracy.
5. RBI's Master Circular RBI/2024-25/07 dated April 1, 2024, is superseded by this revised Master Circular, consolidating instructions issued up to March 31, 2025. Specific attention should be paid to changes in commission rates and eligibility criteria.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12812&Mode=0

April 01, 2025: Master circular - Disbursement of government pension by agency banks

Tag
Government Pension Disbursement, Agency Banks, Pension Payment Compliance, Customer Service.

Summary
This RBI Master Circular, updated April 1, 2025, revises guidelines for agency banks disbursing government pensions. Key changes include updated procedures for dearness relief payments, handling excess pension payments, and assisting incapacitated pensioners. All agency banks are impacted, requiring them to implement these revised instructions and improve customer service.

Insights
1. Agency banks must access government websites for Dearness Relief (DR) orders and disburse payments immediately, eliminating the need to await forwarded orders from the RBI. This supersedes previous procedures detailed in RBI/2024-25/06 and earlier circulars listed in the Appendix.
2. Agency banks are mandated to promptly implement all Central and State Government instructions on pension disbursement without awaiting further RBI directives. This reinforces the responsibility of banks to independently follow government guidelines.

3. Upon detecting excess pension payments due to a bank error, the full amount must be immediately credited to the government account. Banks should consult the relevant Pension Sanctioning Authorities for processes regarding recovery from pensioners.
4. Agency banks must establish procedures to accommodate elderly, sick, or disabled pensioners. One procedure is accepting marked documents identified by two witnesses (one of whom is a bank official) for withdrawals. This aligns with RBI guidelines detailed in the document and supersedes prior procedures.
5. Agency banks are required to compensate pensioners for delayed pension or arrears payments at an 8% annual interest rate from October 1, 2008, and must implement a system to obtain pension orders directly from authorities to expedite payments. This is a critical compliance requirement and adds to existing responsibilities.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12811&Mode=0

April 01, 2025: Master direction – Scheme of penalties for bank branches and currency chests for deficiency in rendering customer service to the members of the public

Tag

Bank Branch Penalties, Currency Chest Compliance, Clean Note Policy, Customer Service Deficiency.

Summary

This RBI Master Direction establishes a scheme of penalties for bank branches and currency chests failing to meet customer service standards related to the Clean Note Policy and operational efficiency. Penalties vary depending on the nature of the deficiency, ranging from fines per note for shortages or mutilated notes to larger penalties for operational guideline violations and agreement breaches. The scheme impacts all banks, including those operating currency chests, with penalties levied immediately and appealable within one month.

Insights

1. To avoid penalties, bank branches and currency chests must adhere to the new Scheme of Penalties for Deficiencies in Customer Service, as detailed in Annex I.

2. Penalties for note shortages in remittances and chest balances vary by denomination (₹50 and below, ₹100 and above, coins) and include the loss plus an additional penalty per piece; immediate recovery is mandated.
3. For counterfeit notes, banks face penalties as per DCM (FNVD) No. G-4/16.01.05/2025-26 dated April 1, 2025, with failure to impound counterfeit notes implying willful involvement.
4. Currency chests must comply with operational guidelines (CCTV functionality, NSM usage, surprise verification procedures) or face penalties of ₹5,000 per instance, increasing to ₹10,000 for repeated offenses.
5. Violations of the agreement with the RBI for currency chests or service deficiencies result in penalties of ₹10,000 per instance, escalating to ₹5 lakh for more than 5 instances within 3 consecutive inspection cycles; penalties will be publicly disclosed.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12810&Mode=0

April 01, 2025: Master direction on penal provisions in reporting of transactions/balances at currency chests

Tag
Currency Chest Reporting, Penal Interest, CyM-CC Portal, Banking Regulation Act

Summary
This RBI Master Direction updates guidelines for currency chest transaction reporting, mandating all banks with currency chests to report transactions daily via the CyM-CC portal by 7 pm. New penalties are introduced for delayed or incorrect reporting, including penal interest calculated on a T+0 basis and flat penalties for specific reporting errors (e.g., soiled note remittances, incorrect diversion reporting). The regulation also details the process for levying penalties and outlines the appeals process.

Insights
1. All currency chest transactions must be reported via the CyM-CC portal by 7 pm on the same day; the minimum transaction amount is ₹100,000, with increments of ₹50,000 thereafter.

2. Delayed reporting of currency chest transactions will incur penal interest at 2% above the prevailing Bank Rate, calculated on a T+0 basis; wrong reporting will also attract penal interest until corrected.
3. Banks must ensure that only cash held in joint custody and freely available is included in chest balances; including ineligible amounts constitutes wrong reporting and will attract penal interest.
4. Wrong reporting of soiled note remittances to RBI as withdrawals will incur a ₹50,000 penalty; similarly, incorrectly reporting diversions as deposits/withdrawals will incur the same penalty.
5. For delayed reporting with a 'net deposit', a flat penalty of ₹50,000 will be levied, although penal interest for delayed reporting will not apply in these cases; appeals must be made via the CyM-CC portal within specified timelines and will generally not be considered for wrong reporting or reasons such as clerical errors.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12809&Mode=0

Apr 01, 2025: Master circular – Lead Bank Scheme

Tag
Lead Bank Scheme, Financial Inclusion, Credit Deployment, Rural Banking.

Summary
This Reserve Bank of India (RBI) master circular consolidates guidelines on the Lead Bank Scheme (LBS) up to March 31, 2025. Key updates include revised data flow mechanisms for LBS fora meetings, using technology for improved data management, and a strengthened focus on enhancing farmers' income and digital payments. The circular impacts all banks participating in the LBS, Lead District Managers (LDMs), and State Level Bankers' Committees (SLBCs).

Insights
1. Lead Banks must prepare an annual schedule of DCC and DLRC meetings by January 15th, ensuring no simultaneous scheduling and providing advance notice to all participants, including MPs.

2. SLBC Convenor Banks must maintain updated SLBC websites (at least quarterly) with standardized information per Annex II, including details on Lead Banks, ACP targets and achievements, and CD ratios.
3. All banks must implement a revised data flow mechanism for LBS for meetings (Annex III) by the 20th of the month following each quarter, utilizing CBS data export capabilities and SLBC websites as data aggregation platforms to minimize manual data entry.
4. Lead Banks must prioritize opening CBS-enabled banking outlets in unbanked villages with populations exceeding 5000, aligning with the May 18, 2017, DoR circular on Branch Authorisation Policy and reporting progress in SLBC meetings.
5. Districts with a CD Ratio below 40% require the establishment of Special Sub-Committees (SSCs) to create Monitorable Action Plans (MAPs) for improvement, while those below 20% need a joint State Government and Lead Bank approach for targeted interventions.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12808&Mode=0

April 01, 2025: Master circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)

Tag

Scheduled Castes (SCs), Scheduled Tribes (STs), Priority Sector Lending, Credit Facilities, Financial Inclusion.

Summary

This RBI Master Circular consolidates existing guidelines on credit facilities for Scheduled Castes (SCs) and Scheduled Tribes (STs). It outlines enhanced measures for banks, including improved planning processes weighted in favor of SC/ST communities, increased awareness campaigns, and streamlined loan application procedures. The circular impacts Scheduled Commercial Banks (including Small Finance Banks), directing them to increase lending to SC/ST beneficiaries and monitor progress according to specified reporting requirements.

Insights

1. Banks should actively participate in DLCC meetings and collaborate with development agencies to align their lending practices with the objectives of the district credit plans, thereby contributing to local economic development and employment generation.

2. Banks need to establish stronger relationships with District Industries Centres to promote self-employment opportunities for SC/ST individuals and incorporate weighted credit planning in their favor at the block level.
3. To improve timely loan approvals, banks must regularly review their lending processes and policies, ensuring loans are sufficient, production-oriented, and generate incremental income for self-liquidation; special focus should be given to villages/localities with high SC/ST populations during credit planning.
4. Banks must actively promote awareness of available credit schemes to SC/ST borrowers through various means such as brochures and field visits; they should also avoid demanding deposits for government-sponsored schemes and ensure timely release of applicable subsidies.
5. Loan application rejections for SC/ST borrowers under government programs must be reviewed at a higher level than the branch level, with clear reasons for rejection documented. Banks must also support the National Scheduled Tribes Finance & Development Corporation and National Scheduled Castes Finance & Development Corporation and report data on advances to SCs and STs as per the Master Direction on Priority Sector Lending.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12807&Mode=0

April 01, 2025: Master circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)

Tag

DAY-NRLM, SHG Lending, Interest Subvention, Financial Inclusion, Rural Credit

Summary

This RBI Master Circular updates guidelines on the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM), replacing a previous circular. Key changes include updated loan amounts and eligibility criteria for Self Help Groups (SHGs) and their members, along with revised interest subvention and credit guarantee fee reimbursement schemes. Public and private sector banks, including Small Finance Banks, are impacted, requiring them to adjust lending practices and reporting procedures accordingly.

Insights

1. Banks must update their systems to reflect the consolidated guidelines for DAY-NRLM, which replace the previous Master Circular FIDD.GSSD.CO.BC. No. 03/09.01.003/2024-25, dated April 16, 2024.
2. Banks need to implement dual-authentication for SHG transactions via Business Correspondents in both ON-US and OFF-US environments by [insert deadline if specified in the document, otherwise state 'immediately'].
3. For loans to SHGs up to ₹10 lakh, banks must adhere to a zero-collateral, zero-margin policy and refrain from placing liens on SHG savings accounts or demanding deposits.
4. Banks are required to submit quarterly claim certificates for interest subvention under the DAY-NRLM scheme by the deadlines specified (June 30, Sept 30, Dec 31, March 31) and Additional claims by September 30, 2026, with statutory auditor certification for the full financial year.
5. Banks must establish a system for identifying SHG accounts (savings and loans) with unique DAY-NRLM/SRLM codes in their CBS to facilitate interest subvention claims and data sharing.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12806&Mode=0

April 01, 2025: Master circular on SHG-Bank Linkage Programme

Tags

SHG-Bank Linkage, Priority Sector Lending (PSL), Microfinance, Financial Inclusion

Summary

This RBI Master Circular consolidates existing guidelines on the Self Help Group (SHG)-Bank Linkage Programme, impacting all scheduled commercial banks. Key updates include a simplified process for SHG loan applications and disbursement, along with clarified stipulations on interest rates, service charges, and PSL classification for SHG loans. The circular aims to streamline credit access for SHGs, promoting financial inclusion and economic empowerment.

Insights

1. Scheduled Commercial Banks must include SHG lending in all credit plans (branch, block, district, state, and corporate), prioritizing this sector.
2. Banks should adopt simplified procedures and documentation for SHG loans, delegating sufficient sanctioning powers to branch managers to expedite credit disbursement.
3. Banks can provide SHGs with savings-linked loans ranging from a 1:1 to 1:4 savings-to-loan ratio. However, banks have the discretion to offer loans exceeding four times the savings to matured SHGs
4. Monitoring the SHG-Bank Linkage Program (SHG-BLP) should be a regular agenda item in State Level Bankers' Committee (SLBC) and District Consultative Committee (DCC) meetings.
5. Banks are required to report SHG-BLP progress to NABARD quarterly in the prescribed format within 15 days of the due date

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12805&Mode=0

April 03, 2025: Limits for investment in debt and sale of credit default swaps by Foreign Portfolio Investors (FPIs)

Tags

FPI Limits, Debt Instruments, Credit Default Swaps, FEMA, AD Category-1

Summary

This RBI circular outlines investment limits for Foreign Portfolio Investors (FPIs) in Indian debt instruments for FY2025- 26. No changes were made to the percentage limits for G-Secs (6%), SGSs (2%), and corporate bonds (15%), but absolute limits were increased. The circular also sets an additional limit of ₹2,93,612 crore for the notional amount of Credit Default Swaps sold by FPIs, impacting AD Category-I banks and their clients.

Insights

1. AD Category-I banks must inform their clients of the unchanged 6%, 2%, and 15% investment limits for FPIs in G-Secs, SGSs, and corporate bonds, respectively, for FY 2025-

26, as per Schedule 1 of the Foreign Exchange Management (Debt Instruments) Regulations, 2019.

2. For FY 2025-26, incremental changes in the G-Sec limit will remain split 50:50 between the 'General' and 'Long-Term' subcategories; the entire SGS increase will be added to the 'General' subcategory.
3. The aggregate limit for the notional amount of Credit Default Swaps sold by FPIs remains at 5% of the outstanding stock of corporate bonds, adding an additional limit of ₹2,93,612 crore for 2025-26, as per A.P. (DIR Series) Circular No. 23 dated February 10, 2022.
4. AD Category-I banks are required to disseminate the information contained in this circular (A.P. (DIR Series) Circular No. 01, April 03, 2025) to their relevant constituents and customers.
5. This circular supersedes or amends previous directions, including A.P. (DIR Series) Circular No. 23 (February 10, 2022), A.P. (DIR Series) Circular No. 03 (April 26, 2024), and the Master Direction (January 07, 2025) on Non-resident Investment in Debt Instruments, regarding FPI investment limits and Credit Default Swaps.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12829&Mode=0

April 08, 2025: Review of regulatory guidelines – Withdrawal of circulars

Tags

Cheque Processing, Circular Withdrawal, MICR Technology, Scheduled Commercial Banks, Co-operative Banks

Summary

This RBI circular withdraws 20 previous circulars related to cheque processing and regulations, effective immediately. The withdrawal impacts all scheduled commercial banks and co-operative banks. These superseded guidelines covered various aspects, including credit limits, MICR technology, interest on delayed payments, and fraud prevention related to cheques.

Insights

1. All Scheduled Commercial Banks and Co-operative Banks must immediately cease operations and compliance related to the 20 circulars listed in the Annexure, as they are withdrawn with immediate effect.
2. Operational procedures related to immediate credit for local and outstation cheques, including interest rate calculations for delayed collections and ceiling amounts, as detailed in several circulars listed in the Annexure, are withdrawn.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12830&Mode=0

April 09, 2025: Standing liquidity facility for primary dealers

Tags

Repo Rate Reduction, Standing Liquidity Facility, Primary Dealers, Monetary Policy, Liquidity Adjustment Facility (LAF).

Summary

This RBI circular announces a reduction in the policy repo rate under the Liquidity Adjustment Facility (LAF) to 6.00 percent from 6.25 percent. Consequently, the Standing Liquidity Facility (collateralized liquidity support) available to Primary Dealers (PDs) is revised to the new repo rate of 6.00 percent, effective immediately. This impacts all Primary Dealers in India by changing the interest rate for their liquidity support from the Reserve Bank.

Insights

1. Primary Dealers (PDs) must adjust their internal systems to reflect the revised repo rate of 6.00 percent for the Standing Liquidity Facility (SLF) with immediate effect.
2. All calculations and transactions related to the SLF must utilize the new 6.00 percent repo rate starting April 9, 2025.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12833&Mode=0

April 09, 2025: Penal interest on shortfall in CRR and SLR requirements- change in bank rate

Tags

CRR, SLR, Penal Interest, Bank Rate, Reserve Requirements

Summary

This RBI circular revises penal interest rates on shortfalls in Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements for all banks. Following a 25-basis point reduction in the Bank Rate to 6.25 percent, the new penal interest rates, linked to the Bank Rate, are now 9.25 percent or 11.25 percent depending on the shortfall duration. The changes are effective immediately.

Insights

1. All banks must revise their penal interest rates on CRR and SLR shortfalls, effective immediately, reflecting the 25-basis points reduction in the Bank Rate announced on April 09, 2025.
2. The revised penal interest rates for CRR and SLR shortfalls are now Bank Rate + 3.0 percentage points (9.25 percent) or Bank Rate + 5.0 percentage points (11.25 percent), depending on the duration of the shortfall.
3. Banks should refer to Chapter VIII of the Master Direction on CRR and SLR (2021) and the RBI circular DoR.RET.REC.57/12.01.001/2024-25 dated February 07, 2025 for detailed guidelines on calculating and applying penal interest.

Further details can be found on:

https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12832&Mode=0

April 09, 2025: Liquidity adjustment facility - change in rates

Tags

Liquidity Adjustment Facility (LAF), Repo Rate, SDF Rate, MSF Rate, Monetary Policy

Summary

This RBI circular announces a 25-basis point reduction in the policy repo rate under the Liquidity Adjustment Facility (LAF) to 6.00 percent, effective immediately. Consequently, the standing deposit facility (SDF) rate is adjusted to 5.75 percent and the marginal standing facility (MSF) rate to 6.25 percent. This impacts all LAF participants.

Insights

1. All Liquidity Adjustment Facility (LAF) participants must adjust their operational rates immediately to reflect the 25-basis point reduction in the repo rate, from 6.25 percent to 6.00 percent.
2. The standing deposit facility (SDF) rate is adjusted to 5.75 percent and the marginal standing facility (MSF) rate to 6.25 percent, effective immediately, for all LAF participants.
3. All other terms and conditions of the existing LAF scheme remain unchanged; no amendments to previous LAF guidelines are required currently.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12831&Mode=0

April 11, 2025: Re-organisation of districts in the state of Rajasthan – Review of Lead Bank Responsibility

Tags

Lead Bank Responsibility, Rajasthan District Reorganisation, Bank of Baroda, State Bank of India, Punjab National Bank.

Summary

This RBI circular addresses the reorganization of districts in Rajasthan, revoking the lead bank responsibilities for nine previously existing districts due to their merger into twelve others. The circular details the revised lead bank assignments for the affected districts, retaining or modifying responsibilities as specified, and confirms no changes for other Rajasthan districts. The impacted stakeholders are the lead banks and other entities involved in financial inclusion initiatives within these reorganized Rajasthan districts.

Insights

1. Due to district reorganization, the lead banks for nine Rajasthan districts (Kekri, Shahpura, Anupgarh, Sanchore, Neem ka Thana, Gangapur City, Dudu, Jaipur (Rural), and Jodhpur (Rural)) have been revoked, as per circular FIDD.CO.LBS.BC.No.11/02.08.001/2023-24.
2. Lead bank responsibilities for 12 other Rajasthan districts have been reviewed and retained or modified; details are specified in section 3 of the document. Refer to the document for the updated list of lead banks and district codes.
3. Lead banks for districts in Rajasthan not listed in sections 2 and 3 remain unchanged. No action is required for these districts.
4. The circular FIDD.CO.LBS.BC.No.11/02.08.001/2023-24, dated November 10, 2023, is revoked in part concerning the nine districts mentioned in section 2. Affected banks must update their records accordingly.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12834&Mode=0

April 21, 2025: Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of haircuts on High Quality Liquid Assets (HQLA) and review of composition and run-off rates on certain categories of deposits

Tags

Basel III, Liquidity Coverage Ratio (LCR), HQLA Haircuts, Deposit Runoff Rates.

Summary

This RBI circular revises the Basel III Liquidity Coverage Ratio (LCR) framework for commercial banks (excluding Payments Banks, Regional Rural Banks, and Local Area Banks), effective April 1, 2026. Key changes include increased run-off factors for retail deposits with internet/mobile banking access and a revised categorization of unsecured wholesale funding, impacting LCR calculations. Additionally, haircuts on Level 1 High-Quality Liquid Assets (HQLA) like government securities are now aligned with LAF/MSF margin requirements, and contractually pledged deposits are treated as callable for LCR purposes.

Insights

1. All amendments under this circular shall become effective on April 1, 2026, and apply to all commercial banks (excluding Payments Banks, RRBs, and LABs).
2. Banks must apply haircuts to Level 1 HQLA Government securities, aligning with LAF/MSF margin requirements as per the RBI circular FMOD.MAOG No.120/01.01.001/2017-18 (as amended).
3. Increase the run-off factor for retail deposits with internet/mobile banking access by 2.5%, applying 7.5% for stable and 12.5% for less stable deposits. This also applies to unsecured wholesale funding from non-financial small business customers.
4. Deposits previously excluded from LCR calculations (e.g., non-callable fixed deposits) but contractually pledged as collateral must now be treated as callable. Refer to Sl. No. 9 of the annexure to circular DBR.BP.BC.No.86/21.04.098/2015-16 for applicable provisions.
5. Redefine the 'Other Legal Entities (OLE)' category for LCR computation to include only banks, insurance companies, financial institutions, and entities in the 'business of financial services'. Non-financial entities will have a 40% run-off rate (down from 100%).

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12836&Mode=0

April 21, 2025: Opening of and operation in deposit accounts of minors

Tags

Minor Accounts, Deposit Accounts, KYC Compliance, Guardian Operations

Summary

This RBI circular revises guidelines for opening and operating minors' deposit accounts. Key changes include allowing minors of any age to open accounts through guardians (including mothers) and permitting independent account operation for minors above a bank-determined age (at least 10 years old), subject to their risk management policies. All commercial banks, primary urban cooperative banks, state cooperative banks, and district central cooperative banks must comply by July 1, 2025, and update their policies accordingly.

Insights

1. All commercial banks, primary (urban) co-operative banks, state co-operative banks, and district central co-operative banks must revise their policies to comply with the revised guidelines on minor deposit accounts by July 1, 2025.
2. Banks must allow minors of any age to open savings and term deposit accounts through their natural or legal guardian, including mothers as guardians, as per the RBI Circular DBOD.Leg.BC.158/C.90(H)-76 dated December 29, 1976.
3. Minors above a bank-defined age (not less than 10 years) may independently operate accounts up to a specified amount and under terms defined by the bank's risk management policy; these terms must be communicated to the minor.
4. Upon reaching the age of majority, banks must obtain fresh operating instructions and specimen signatures from the minor account holder and confirm the account balance if a guardian operates.
5. Banks must ensure that minor accounts, regardless of operation method, maintain a credit balance and adhere to customer due diligence per the Master Direction on Know Your Customer (KYC) Direction, 2016, as amended. The nine circulars listed in the annex are repealed.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12835&Mode=0

April 22, 2025: Master directions - compounding of contraventions under FEMA, 1999, dated April 22, 2025 (updated as on April 24, 2025) (Supersedes master direction- compounding of contraventions under FEMA, 1999, (updated as on May 24, 2022))

Tags

FEMA Compounding, Foreign Exchange Contraventions, Penalty

Summary

This RBI Master Direction outlines procedures for compounding contraventions under the Foreign Exchange Management Act, 1999 (FEMA), incorporating the Foreign Exchange (Compounding Proceedings) Rules, 2024.

The updated guidelines specify compounding procedures, eligible contraventions, and penalties, impacting all Category I Authorised Dealer banks and Authorised banks and their constituents. The direction also emphasizes the need for improved internal controls to prevent FEMA violations and potential penalties.

Insights

1. AD Category-I banks and authorised banks must ensure compliance with the Foreign Exchange (Compounding Proceedings) Rules, 2024, superseding the 2000 Rules, for compounding FEMA, 1999 contraventions (except those under Section 3(a)).
2. Regulated entities must establish robust systems to prevent FEMA, 1999 contraventions and incorporate checks and balances in foreign exchange transaction handling and reporting to avoid penalties under Section 11(3).
3. All compounding applications must be submitted within 180 days of receipt, including a ₹10,000 application fee (plus GST), via demand draft, NEFT, or other approved methods, with payment confirmation via email within 2 hours.
4. Applicants must complete all necessary administrative actions (obtaining approvals, unwinding transactions, etc.) before submitting a compounding application; failure to do so renders the application ineligible.
5. Contraventions involving money laundering, terror financing, or national security concerns; those under Rule 9 or Rule 4(2) of the Compounding Rules, 2024; or those where a penalty has already been imposed are not eligible for compounding.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12839&Mode=0

April 22, 2025: Amendments to directions - Compounding of contraventions under FEMA, 1999

Tags

FEMA 1999, Compounding of Contraventions, AD Category-I banks, Amendment to Guidelines, Payment Reconciliation.

Summary

This RBI circular amends the guidelines for compounding contraventions under the FEMA, 1999, impacting all Authorised Dealer Category-I banks and authorised banks. Key changes include deleting the provision linking compounding amounts to prior orders and requiring additional applicant details (mobile number, payment office, application submission mode) when paying electronically. These amendments aim to streamline the compounding application process and reduce processing delays.

Insights

1. The compounding amount for FEMA contraventions will no longer be linked to prior compounding orders. Each application will be treated independently.
2. When submitting compounding applications electronically, applicants must now include their mobile number, the Reserve Bank office to which the payment was sent, and the application submission method (PRAVAAH/physical) per the updated Annexure I of Circular No. 17/2024-25.
3. AD Category-I banks and authorized banks must inform their constituents about the changes detailed in this circular regarding the compounding of FEMA contraventions.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12838&Mode=0

April 22, 2025: Circular- migration to '.bank.in' domain

Tags

Domain Migration, Cybersecurity, Digital Payments.

Summary

This RBI circular mandates all commercial banks, primary urban co-operative banks, state co-operative banks, and district central co-operative banks to migrate their existing domain names to the '.bank.in' domain by October 31, 2025.

The migration, facilitated by IDRBT, aims to enhance cybersecurity and public trust in digital banking by combating fraud in digital payments. Failure to comply could result in regulatory action.

Insights

1. All the aforementioned banks must migrate their existing domains to the '.bank.in' domain.
2. Banks should contact IDRBT at *sahyog@idrbt.ac.in* to initiate the registration process for the '.bank.in' domain and receive guidance on application and migration.
3. This migration is mandated to enhance cybersecurity and public confidence in digital banking and payment systems, as announced in the Statement on Developmental and Regulatory Policies on February 7, 2025.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12837&Mode=0

April 23, 2025: Exports through warehouses in 'Bharat Mart' in UAE – relaxations

Tags

Export Regulations, FEMA Compliance, Bharat Mart, UAE Trade, Repatriation Relaxations.

Summary

This RBI circular relaxes Foreign Exchange Management Regulations for Indian exporters using Bharat Mart warehouses in the UAE. This impacts Category-I Authorised Dealer banks and Indian exporters using the Bharat Mart platform.

Category-I Authorised Dealer banks can now allow exporters to repatriate full export proceeds within nine months and permit warehouse setup and operational remittance without pre-conditions, subject to reasonable verification.

Insights

1. AD Category-I banks can now allow exporters to repatriate the full export value of goods sold through 'Bharat Mart' in the UAE within nine months of the sale, a relaxation from previous regulations.

2. AD Category-I banks are permitted to approve the opening/renting of warehouses in 'Bharat Mart' by Indian exporters with a valid IEC, and remittances for setup and operational expenses without pre-conditions, subject to reasonableness verification.
3. These relaxations, effective immediately, are based on the RBI's aim to facilitate exports through the 'Bharat Mart' multimodal logistics network in the UAE.
4. AD Category-I banks must inform their constituents of these changes in this circular.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12840&Mode=0

April 24, 2025: Amendments to directions - Compounding of contraventions under FEMA, 1999

Tags

Foreign Exchange Management Act (FEMA), RBI, compounding contraventions, foreign exchange violations, RBI directions, regulatory relief, foreign investment compliance, AD banks, FEMA penalty, public interest clause.

Summary

This RBI circular amends the Master Directions on compounding contraventions under the Foreign Exchange Management Act (FEMA), 1999. A new clause is added, capping the maximum compounding amount at INR 2,00,000 for certain contraventions, subject to the compounding authority's discretion.

This impacts all Authorised Dealer Category-I banks and authorised banks, who must inform their constituents of these updated guidelines.

Insights

1. **Penalty cap introduced** – The RBI has introduced a maximum cap of ₹2,00,000 per contravention (per regulation/rule) for certain FEMA violations under specific conditions.
2. **Discretion to compounding authority**—This cap can be applied only if the compounding authority is satisfied with the nature of the contravention and believes public interest justifies a lower penalty.
3. **Applicable to row 5 violations**—The amendment explicitly refers to violations covered under Row 5 of the compounding computation matrix.

4. **Public interest and exceptional circumstances**—This move formally acknowledges that not all contraventions warrant maximum penalties, mainly if they occurred under unique or justifiable conditions.
5. **No change to other clauses** – The amendment is narrowly scoped and does not affect other rules or penalties under the FEMA Master Directions.
6. **Applicability** – The directions are issued under Sections 10(4) and 11(1) of FEMA, and all AD Category-I and Authorised Banks are required to disseminate this change.
7. **Regulatory balance** – This reflects RBI's evolving approach to proportional enforcement—penalizing serious violations while permitting relief in minor or technical contraventions.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12842&Mode=0

April 24, 2025: Note sorting machines: Standards issued by the Bureau of Indian Standards - revised timeline for implementation

Tags

Note Sorting Machines, BIS Standards, Implementation Timeline, Banking Compliance

Summary

This RBI circular, DCM (NPD) No. S287/18.00.014/2025-26 extends the deadline for banks to implement standards for note sorting machines issued by the Bureau of Indian Standards to November 1, 2025. This six-month extension is in response to bank concerns regarding implementation challenges.

All other provisions of the October 30, 2024, circular remain in effect.

Insights

1. All banks must comply with the Bureau of Indian Standards' standards for note sorting machines by November 1, 2025.
2. The previous compliance deadline, mentioned in circular DCM (NPD) No. S2193/09.45.000/2024-25, dated October 30, 2024, has been extended six months to November 1, 2025.
3. Despite the extended deadline, banks are urged to implement the Note Sorting Machine standards immediately.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12841&Mode=0

April 25, 2025: Master direction on the framework of incentives for currency distribution and exchange scheme for bank branches, including currency chests

Tags

Currency Distribution and Exchange Scheme (CDES), bank branches, currency chests, incentive framework, clean note policy

Summary

This RBI Master Direction establishes the Currency Distribution and Exchange Scheme (CDES), which provides financial incentives to bank branches, including currency chests, for improved customer service and the Clean Note Policy objectives.

Key changes include reimbursement for costs associated with operating currency chests in specified regions and incentives for exchanging soiled notes, adjudicating mutilated notes, and distributing coins. All banks and their branches, particularly those operating currency chests, are impacted.

Insights

1. Banks opening currency chests (CCs) in specified North-eastern regions and inaccessible areas of Jammu & Kashmir/Ladakh can claim 100% reimbursement of capital expenditure (up to ₹50 lakh) and 50% reimbursement of revenue expenditure for the first five years.
2. Banks are eligible for a ₹ 2 incentive per packet for exchanging soiled notes (₹50 and below denominations) and ₹2 per piece for adjudicating mutilated notes over the counter. Incentives are paid on notes received by the RBI.
3. A ₹65 incentive per bag is offered for coin distribution, with an additional ₹10 per bag for rural/semi-urban areas (requiring a Concurrent Auditor certificate).
    a. Incentive calculation is based on net withdrawals from the currency chest.
4. Non-chest branches can deposit cash via a linkage scheme with CCs, incurring service charges of ₹8 per 100 pieces for large modern CCs and ₹5 per 100 pieces for other CCs.
    a. The CC holding bank passes on the incentives to linked branches pro rata.

5. Circular DCM(CC) No.97527/03.41.01/2021-22 dated August 27, 2021, remains applicable, except where this Master Direction explicitly amends it.
    a. RBI will verify coin distribution through inspections and incognito visits.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12843&Mode=0

April 28, 2025: Processing of regulatory authorisations/ licenses/ approvals through PRAVAAH

Tags

PRAVAAH, Regulatory Applications, RBI Authorizations, Financial Institutions, Compliance Mandate

Summary

This RBI circular mandates that all scheduled commercial banks, co-operative banks, financial institutions, NBFCs, primary dealers, payment system operators, and credit information companies must use the PRAVAAH portal for submitting applications for regulatory authorizations, licenses, and approvals, effective May 1, 2025.

The circular reiterates using the PRAVAAH portal, launched in May 2024, to streamline the application process and directs entities to cease using other methods. Failure to comply may result in applications not being processed.

Insights

1. All regulated entities (banks, NBFCs, CICs, etc.) must submit all applications for regulatory authorisations, licenses, and approvals through the PRAVAAH portal (https://pravaah.rbi.org.in) starting May 1, 2025.
2. Failure to use the PRAVAAH portal to submit applications after May 1, 2025, will be considered non-compliance with RBI directives.
3. Regulated entities should familiarize themselves with the PRAVAAH portal's user manual, FAQs, and video tutorials available on the portal to ensure smooth application submission and tracking.
4. This circular supersedes any previous instructions or circulars regarding submitting applications for regulatory authorisations, licenses, and approvals to the RBI; all previous methods are now invalid.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12845&Mode=0

April 28, 2025: Dispensation of ₹100 and ₹200 denomination banknotes through ATMs

Tags

ATM Cash Dispensing, ₹100 notes, ₹200 notes, Banknote Denomination, Compliance Timeline, RBI Directive

Summary

This RBI circular mandates that all banks and White-Label ATM Operators (WLAOs) increase the availability of ₹ 100— and ₹ 200-denomination banknotes in their ATMs. By September 30, 2025, 75% of ATMs must dispense these denominations from at least one cassette, rising to 90% by March 31, 2026.

This regulation aims to improve public access to frequently used banknotes.

Insights

1. All banks and White Label ATM Operators (WLAOs) must ensure that at least one ATM cassette dispenses ₹100 or ₹200 banknotes in 75% of their ATM network by September 30, 2025.
2. By March 31, 2026, the exact requirement increases to 90% of all ATMs dispensing ₹100 or ₹200 banknotes from at least one cassette.
3. This directive aims to improve public access to frequently used banknote denominations; failure to comply could lead to regulatory action.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12844&Mode=0